

CITY OF GARNAVILLO

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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CITY OF GARNAVILLO

OFFICIALS

| <u>Name</u> | <u>Title</u> (Before January, 2014) | <u>Term Expires</u> |
|------------------------|--|---------------------|
| Mark Priebe | Mayor | Jan. 2016 |
| Robert Bodish | Mayor Pro tem | Jan. 2014 |
| Carl Kuehl | Council Member | Jan. 2014 |
| Lyndon Meyer | Council Member | Jan. 2014 |
| Lanny Kuehl | Council Member | Jan. 2016 |
| Leonard Ohrt | Council Member | Jan. 2016 |
| Denise Schneider | City Clerk/Administrator | Indefinite |
| Kevin Clefisch | Attorney | Indefinite |
| (After December, 2013) | | |
| Mark Priebe | Mayor | Jan. 2016 |
| Robert Bodish | Mayor Pro tem | Jan. 2018 |
| Lanny Kuehl | Council Member | Jan. 2016 |
| Leonard Ohrt | Council Member | Jan. 2016 |
| Lyndon Meyer | Council Member | Jan. 2018 |
| Fern Moser | Council Member | Jan. 2018 |
| Denise Schneider | City Clerk/Administrator | Indefinite |
| Kevin Clefisch | Attorney | Indefinite |

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
And Members of the City Council:

We have performed an agreed-upon procedures engagement of the City of Garnavillo pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Garnavillo for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization, and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Garnavillo, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Garnavillo additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees, citizens and customers of the City of Garnavillo and other parties to whom the Garnavillo may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Garnavillo during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

August 20, 2014


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

DETAILED RECOMMENDATIONS

CITY OF GARNAVILLO
DETAILED RECOMMENDATIONS
For the Period July 1, 2013 through June 30, 2014

[A] Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (2) Payroll - record keeping and preparation.
- (3) Financial reporting - preparing and reconciling.
- (4) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

[B] Payment of General Obligation Bonds - Principal and interest on the City's general obligation water bonds were paid from the Enterprise, Water Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the Enterprise, Water Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

[C] Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

- [D] Financial Condition - At June 30, 2014, the City had deficit balances of \$ 1,188 and \$ 11 in the Special Revenue, Urban Renewal and Enterprise, Sewer Water Funds, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

- [E] Form 1099 Compliance - Although the City issued all required 1099 Forms, amounts included in Box 7, Other Income should have been included in Box 3, Nonemployee Compensation.

Recommendation - In the future, the City should take care to prepare Form 1099 correctly.